



UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Export Administration
Washington, D.C. 20230

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Illinois Tool Works, Inc.
3624 West Lake Avenue
Glenview, Illinois 60025

Attention: Frank S. Ptak
Vice Chairman

Dear Mr. Ptak:

The Office of Export Enforcement, Bureau of Export Administration, United States Department of Commerce (BXA), hereby charges that, as described below, Illinois Tool Works, Inc. (ITW), has violated the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1999)) (the Regulations),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1999)) (the Act).²

¹The alleged violations occurred in 1994, 1995, 1996 and 1997. The Regulations governing the violations at issue are found in the 1994, 1995, 1996 and 1997 versions of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1994 and 1995), 15 C.F.R. Parts 768-799 (1996), as amended (61 Fed. Reg. 12714, March 25, 1996) (hereinafter the "former Regulations"), and 15 C.F.R. Parts 730-774 (1997)). The March 25, 1996 Federal Register publication redesignated, but did not republish, the then-existing Regulations as 15 C.F.R. Parts 768A-799A. In addition, the March 25, 1996 Federal Register publication reorganized and restructured the Regulations, designating them as an interim rule at 15 C.F.R. Parts 730-774, effective April 24, 1996. The former Regulations and the Regulations define the various violations that BXA alleges occurred. The Regulations establish the procedures that apply to this matter.

² The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), August 13, 1997 (3 C.F.R., 1997 Comp. 306 (1998)), August 13, 1998 (3 C.F.R., 1998 Comp. 294 (1999)), and August 10, 1999 (64 Fed. Reg. 44101, August 13, 1999), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1999)).



Facts constituting violations:

CHARGES 1-6

On six separate occasions between on or about March 2, 1994, and on or about August 29, 1996, as described in greater detail in the Schedule of Violations, enclosed herewith and incorporated herein by reference, ITW's Magnaflux Business Division (Magnaflux) exported to Brazil U.S.-origin chemicals without obtaining from BXA the validated export licenses required by Section 772.1(b) of the former Regulations (redesignated as Section 772A.1(b) on March 25, 1996). BXA alleges that, by exporting a commodity to any person or destination or for any use in violation of or contrary to the terms, provisions, or conditions of the Act, or any regulation, order, or license issued thereunder, Magnaflux committed four violations of Section 787.6 and two violations of Section 787A.6 of the former Regulations.

CHARGE 7

On or about October 30, 1997, as described in greater detail in the enclosed Schedule of Violations, Magnaflux exported to Brazil U.S.-origin chemicals without the export license required by Section 742.2(a)(2) of the Regulations. BXA alleges that, by engaging in conduct prohibited by or contrary to the Act, the Regulations, or any order or license issued thereunder, Magnaflux committed one violation of Section 764.2(a) of the Regulations.

CHARGES 8 - 11

In connection with the exports made on or about the following dates: March 2, 1994, January 30, 1995, December 19, 1995, and August 29, 1996, Magnaflux filed or caused to be filed with the U.S. Customs Service Shipper's Export Declarations, defined as an export control document in Section 770.2 (redesignated as Section 770A.2 on March 25, 1996) of the former Regulations, representing that the goods described therein qualified for export to Brazil under general license G-DEST. In fact, an individual validated export license was required to export these U.S.-origin chemicals to Brazil. BXA alleges that, by making false or misleading statements of material fact directly or indirectly to a U.S. Government agency in connection with the preparation, submission or use of an export control document, Magnaflux committed three violations of Section 787.5(a) and one violation of Section 787A.5(a) of the former Regulations.

CHARGES 12-13

In connection with the exports made on or about August 24, 1994 and on or about May 3, 1996, Magnaflux failed to prepare or maintain Shipper's Export Declarations, defined as an export control document in Section 770.2 (redesignated as Section 770A.2 on March 25, 1996) of the former Regulations, as required under section 786.1(c) (redesignated as Section 786A.1(c) on March 25, 1996) of the former Regulations. BXA alleges that, by failing to file the Shipper's Export Declarations as required for each of these exports, Magnaflux concealed material facts

from a United States agency for the purpose of or in connection with effecting exports from the United States, and, in so doing, committed one violation of Section 787.5(a) and one violation of Section 787A.5(a) of the former Regulations.

CHARGE 14

In connection with the export made on or about October 30, 1997, Magnaflux filed or caused to be filed with the U.S. Customs Service Shipper's Export Declarations, defined as an export control document in Part 772 of the Regulations, representing that the goods described therein qualified for export to Brazil under a License Exception. In fact, an export license was required for the export of these U.S.-origin chemicals to Brazil. BXA alleges that, by making false or misleading representations, statements, or certifications directly or indirectly to a U.S. Government agency in connection with the preparation, submission, issuance, use or maintenance of an export control document, Magnaflux committed one violation of Section 764.2(g) of the Regulations.

BXA alleges that Magnaflux committed four violations of Section 787.6, two violations of Section 787A.6, four violations of Section 787.5(a), two violations of section 787A.5(a), one violation of Section 764.2(a), and one violation of Section 764.2(g), for a total of 14 violations.

Accordingly, ITW is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an Order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$10,000 per violation (see Section 764.3(a)(1) of the Regulations);³

Denial of export privileges (see Section 764.3(a)(2) of the Regulations); and/or

Exclusion from practice before BXA (see Section 764.3(a)(3) of the Regulations).

Copies of relevant Parts of the Regulations are enclosed.

If ITW fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter as provided in Section 766.6 of the Regulations, that failure will be treated as a default under Section 766.7.

³ The maximum civil penalty for any violations committed after October 23, 1996 is \$11,000 per violation. See 15 C.F.R. § 6.4(a)(3) (1999).

ITW is further notified that it is entitled to an agency hearing on the record as provided by Section 13(c) of the Act and Section 766.6 of the Regulations, if a written demand for one is filed with its answer, to be represented by counsel, and to seek a settlement.

Pursuant to an Interagency Agreement between BXA and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matters set forth in this letter. Accordingly, ITW's answer should be filed with the U.S. Coast Guard ALJ Docketing Center, 40 S. Gay Street, Baltimore, Maryland 21202-4022, in accordance with the instructions in Section 766.5(a) of the Regulations. In addition, a copy of ITW's answer should be served on BXA at the address set forth in Section 766.5(b), adding "ATTENTION: C. Randall Pratt, Esq." below the address. Ms. Pratt may be contacted by telephone at (202) 482-5304.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

Enclosure

SCHEDULE OF VIOLATIONS

Illinois Tool Works, Inc., through its Magnaflux Division

Charge No.	Shipment Date (on or about)	Destination	Invoice No.
1, 8	03/02/94	Brazil	58634
2, 12	08/24/94	Brazil	63193
3, 9	01/30/95	Brazil	70390
4, 10	12/19/95	Brazil	78196
5, 13	05/03/96	Brazil	85619
6, 11	08/29/96	Brazil	89232
7, 14	10/30/97	Brazil	101136

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
WASHINGTON, D. C. 20230

In the Matter of:)
)
ILLINOIS TOOL WORKS, INC.)
)
3624 West Lake Avenue)
Glenview, Illinois 60025,)
)
Respondent)

SETTLEMENT AGREEMENT

This Agreement is made by and between Illinois Tool Works, Inc. ("ITW") and the Bureau of Export Administration, United States Department of Commerce, pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1999)) (the Regulations),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1999)) (the Act).²

¹ The alleged violations occurred in 1994, 1995, 1996, and 1997. The Regulations governing the violations at issue are found in the 1994, 1995, 1996 and 1997 versions of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1994 and 1995), 15 C.F.R. Parts 768-799 (1996), as amended (61 Fed. Reg. 12714, March 25, 1996) (hereinafter the "former Regulations"), and 15 C.F.R. Parts 730-774 (1997)). The March 26, 1996 Federal Register publication redesignated, but did not republish, the then-existing Regulations as 15 C.F.R. Parts 768A-799A. In addition, the March 25, 1996 Federal Register publication reorganized and restructured the Regulations, designating them as an interim rule at 15 C.F.R. Parts 730-774, effective April 24, 1996. The former Regulations and the Regulations define the various violations that BXA alleges occurred. The Regulations establish the procedures that apply to this matter.

² The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), August 13, 1997 (3 C.F.R., 1997 Comp. 306 (1998)), August 13, 1998 (3 C.F.R., 1998 Comp. 294 (1999)), and August 10, 1999 (64 Fed. Reg. 44101 (August 13, 1999)), continued the Regulations in effect under the International Emergency Economic Powers Act (IEEPA) (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1999)).

WHEREAS, the Office of Export Enforcement, Bureau of Export Administration (BXA), has notified ITW of its intention to initiate an administrative proceeding against it pursuant to the Act and the Regulations, based on allegations that on seven separate occasions between on or about March 2, 1994 and on or about October 30, 1997, ITW's Magnaflux Business Division ("Magnaflux") exported U.S.-origin chemicals to Brazil without the required authorization, and in connection with these exports, made false or misleading statements on Shipper's Export Declarations, or failed to prepare or maintain Shipper's Export Declarations, in violation of Sections 787.5(a), 787A.5(a), 787.6, and 787A.6 of the former Regulations and Sections 764.2(a) and 764.2(g) of the Regulations;

WHEREAS, ITW has reviewed the proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true; ITW fully understands the terms of this Settlement Agreement and the proposed Order; ITW enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and ITW states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, ITW neither admits nor denies the allegations contained in the proposed Charging Letter;

WHEREAS, ITW wishes to settle and dispose of all matters alleged in the proposed Charging Letter by entering into this Settlement Agreement; and

WHEREAS, ITW agrees to be bound by an appropriate Order giving effect to the terms of this Settlement Agreement, when entered (appropriate Order); NOW THEREFORE, ITW and BXA agree as follows:

1. BXA has jurisdiction over ITW, under the Act and the Regulations, in connection with the matters alleged in the proposed Charging Letter.

2. BXA and ITW agree that the following sanction shall be imposed against ITW in complete settlement of all alleged violations of the Act and the former Regulations arising out of the transaction set forth in the proposed Charging Letter:

(a) ITW shall be assessed a civil penalty of \$142,000, \$105,000 of which shall be paid to the U. S. Department of Commerce within 30 days of the date of entry of an appropriate Order. Payment of the remaining \$37,000 shall be suspended for a period of one year from the date of the entry of the appropriate Order and shall thereafter be waived, provided that, during the period of suspension, Magnaflux has committed no violation of the Act, or any regulation, order, or license issued thereunder;

(b) As authorized by Section 11(d) of the Act, the timely payment of the civil penalty agreed to in paragraph 2(a) is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Magnaflux. Failure to make timely payment of the civil penalty set forth above shall result in the denial of all Magnaflux's export privileges for a period of one year from the date of entry of the appropriate Order imposing the civil penalty.

3. ITW agrees that, subject to the approval of this Settlement Agreement pursuant to paragraph 8 hereof, it hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the appropriate Order, when entered), including, without limitation, any right: (a) to an administrative hearing

regarding the allegations in the proposed Charging Letter; (b) to request a refund of the civil penalty imposed pursuant to this Settlement Agreement and the appropriate Order, when entered; and (c) to seek judicial review or otherwise to contest the validity of this Settlement Agreement or the appropriate Order, when entered.

4. BXA agrees that, upon entry of an appropriate Order, it will not initiate any administrative proceeding against ITW or Magnaflux in connection with any violations of the Act, the former Regulations or the Regulations arising out of the transaction identified in the proposed Charging Letter.

5. ITW understands that BXA will make the proposed Charging Letter, this Settlement Agreement, and the appropriate Order, when entered, available to the public.

6. BXA and ITW agree that this Settlement Agreement is for settlement purposes only. Therefore, if this Settlement Agreement is not accepted and an appropriate Order is not issued by the Assistant Secretary for Export Enforcement pursuant to Section 766.18(a) of the Regulations, BXA and ITW agree that they may not use this Settlement Agreement in any administrative or judicial proceeding and that neither party shall be bound by the terms contained in this Settlement Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the appropriate Order, when entered nor shall this Settlement Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Settlement Agreement shall become binding on BXA only when the Assistant Secretary for Export Enforcement approves it by entering an appropriate Order, which

will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

BUREAU OF EXPORT ADMINISTRATION
U. S. DEPARTMENT OF COMMERCE

BY: Mark D. Menefee
Mark D. Menefee
Director
Office of Export Enforcement

Date: 4/24/00

DC01/330759.2

ILLINOIS TOOL WORKS, INC.

BY: Frank S. Ptak
Frank S. Ptak
Vice Chairman

Date: April 24, 2000

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
WASHINGTON, D.C. 20230

In the Matter of:)
)
ILLINOIS TOOL WORKS, INC.)
)
3624 West Lake Avenue)
Glenview, Illinois 60025,)
)
Respondent)

ORDER

The Office of Export Enforcement, Bureau of Export Administration, United States Department of Commerce (BXA), having notified Illinois Tool Works, Inc. (ITW), of its intention to initiate an administrative proceeding against it pursuant to Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1999)) (the Act),¹ and the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1999)) (the Regulations),² based on allegations that, on seven separate

¹ The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), August 13, 1997 (3 C.F.R., 1997 Comp. 306 (1998)), August 13, 1998 (3 C.F.R., 1998 Comp 294 (1999)), and August 10, 1999 (64 *Fed. Reg.* 44101 (August 13, 1999)), continued the Regulations in effect under the International Emergency Economic Powers Act (IEEPA) (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1999)).

² The alleged violations occurred in 1994, 1995, 1996 and 1997. The Regulations governing the violations at issue are found in the 1994, 1995, 1996 and 1997 versions of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1994 and 1995), 15 C.F.R. Parts 768-799 (1996), as amended (61 *Fed. Reg.* 12714, March 25, 1996) (hereinafter the "former

occasions between on or about March 2, 1994 and on or about October 30, 1997, ITW's Magnaflux Business Division (Magnaflux) exported U.S.-origin chemicals to Brazil without the required authorization, and in connection with these exports, made false or misleading statements on Shipper's Export Declarations, or failed to prepare or maintain Shipper's Export Declarations, in violation of Sections 787.5(a), 787A.5(a), 787.6, and 787A.6 of the former Regulations and Sections 764.2(a) and 764.2(g) of the Regulations;

BXA and ITW having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

FIRST, a civil penalty of \$142,000 is assessed against ITW, \$105,000 of which shall be paid to the U.S. Department of Commerce within 30 days of the date of this Order. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$37,000 shall be suspended for a period of one year from the date of this Order and shall thereafter be waived, provided that, during the period of suspension, Magnaflux has committed no violation of the Act, or any regulation, order, or license issued thereunder.

Regulations"), and 15 C.F.R. Parts 730-774 (1997)). The March 25, 1996 Federal Register publication redesignated, but did not republish, the then-existing Regulations as 15 C.F.R. Parts 768A-799A. In addition, the March 25, 1996 Federal Register publication reorganized and restructured the Regulations, designating them as an interim rule at 15 C.F.R. Parts 730-774, effective April 24, 1996. The former Regulations and the Regulations define the various violations that BXA alleges occurred. The Regulations establish the procedures that apply to this matter.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C.A. §§ 3701-3720E (1983 and Supp. 1999)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, ITW will be assessed, in addition to interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that, as authorized by Section 11(d) of the Act, the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Magnaflux. Accordingly, if ITW should fail to pay in the civil penalty set forth above a timely manner, the undersigned will enter an Order under the authority of Section 11(d) of the Act denying all of Magnaflux's export privileges for a period of one year from the date of this Order.

FOURTH, that the proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



F. Amanda DeBusk

Assistant Secretary for Export Enforcement

Entered this 2nd day of May, 2000.